REPORT OF THE AUDIT OF THE BOURBON COUNTY CLERK

For The Year Ended December 31, 2011



ADAM H. EDELEN AUDITOR OF PUBLIC ACCOUNTS

www.auditor.ky.gov

209 ST. CLAIR STREET FRANKFORT, KY 40601-1817 TELEPHONE (502) 564-5841 FACSIMILE (502) 564-2912

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOURBON COUNTY CLERK

For The Year Ended December 31, 2011

The Auditor of Public Accounts has completed the Bourbon County Clerk's audit for the year ended December 31, 2011. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$46,408 from the prior year, resulting in excess fees of \$65,944 as of December 31, 2011. Revenues increased by \$1,210,858 from the prior year and expenditures increased by \$1,164,450.

Lease Agreement:

The County Clerk's office is committed to a lease agreement with a total outstanding balance of \$1,869 as of December 31, 2011.

Report Comments:

- 2011-01 The County Clerk Should Settle His 2011 Fee Account
- 2011-02 The County Clerk Had \$17,602 Of Disallowed Expenditures In His 2011 Fee Account
- 2011-03 The County Clerk Should Pay Overtime At A Rate Of Time And One Half
- 2011-04 The County Clerk Should Strengthen Controls Over Account Receivables

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u> PAGE

INDEPENDENT AUDITOR'S REPORT	. 1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	.3
Notes To Financial Statement	.7
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND	
On COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL	
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	. 13
COMMENTS AND RECOMMENDATIONS	. 17



ADAM H. EDELEN AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie Foley, Bourbon County Judge/Executive The Honorable Richard Stipp Eads, Bourbon County Clerk Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees regulatory basis of the County Clerk of Bourbon County, Kentucky, for the year ended December 31, 2011. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2011, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated July 10, 2012 on our consideration of the Bourbon County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be considered in assessing the results of our audit.



The Honorable Donnie Foley, Bourbon County Judge/Executive The Honorable Richard Stipp Eads, Bourbon County Clerk Members of the Bourbon County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2011-01 The County Clerk Should Settle His 2011 Fee Account
- 2011-02 The County Clerk Had \$17,602 Of Disallowed Expenditures In His 2011 Fee Account
- 2011-03 The County Clerk Should Pay Overtime At A Rate Of Time And One Half
- 2011-04 The County Clerk Should Strengthen Controls Over Account Receivables

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Bourbon County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Adam H. Edelen

Auditor of Public Accounts

July 10, 2012

BOURBON COUNTY RICHARD STIPP EADS, COUNTY CLERK STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2011

Re	venu	ies
----	------	-----

State Fees For Services		\$ 7,211
HB 537 - Revenue Supplement		61,283
Fiscal Court		9,074
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 737,190	
Usage Tax	2,902,411	
Tangible Personal Property Tax	1,763,148	
Other-		
Fish and Game Licenses	3,248	
Marriage Licenses	4,757	
Occupational Licenses	180	
Deed Transfer Tax	73,951	
Delinquent Tax	268,273	5,753,158
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	9,547	
Real Estate Mortgages	29,299	
Chattel Mortgages and Financing Statements	48,620	
Powers of Attorney	1,062	
Affordable Housing Trust	21,732	
All Other Recordings	20,256	
Charges for Other Services-		
Candidate Filing Fees	50	
Copywork	11,889	
Duplicate Registration	3,993	
Inspections	1,625	
Notary Fees	6,858	
Passports	8,275	163,206

BOURBON COUNTY

RICHARD STIPP EADS, COUNTY CLERK

STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS For The Year Ended December $31,\,2011$

(Continued)

Revenues (Continued)

Other: Refunds Fiscal Court Allocation-Preservation Project		\$ 77,237 56,435	\$ 133,672
Interest Earned			3,105
Total Revenues			6,130,709
Expenditures			
Payments to State:			
Motor Vehicle-			
Licenses and Transfers	\$ 502,776		
Usage Tax	2,814,989		
Tangible Personal Property Tax	621,732		
Licenses, Taxes, and Fees-			
Fish and Game Licenses	3,341		
Delinquent Tax	29,282		
Legal Process Tax	15,699		
Affordable Housing Trust	21,732		
Miscellaneous	 6,786	4,016,337	
Payments to Fiscal Court:			
Tangible Personal Property Tax	192,193		
Delinquent Tax	32,148		
Deed Transfer Tax	70,253		
Occupational Licenses	 125	294,719	
Payments to Other Districts:			
Tangible Personal Property Tax	868,287		
Delinquent Tax	 121,335	989,622	
Payments to Sheriff		22,545	

BOURBON COUNTY

RICHARD STIPP EADS, COUNTY CLERK

STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS For The Year Ended December 31, 2011 (Continued)

Expenditures (Continued)

Payments to County Attorney		\$ 35,448
Operating Expenditures and Capital Outlay:		
Personnel Services-		
Deputies' Salaries	\$ 349,576	
Fiscal Court Minutes	5,327	
Employee Benefits-		
Employer's Share Social Security	33,956	
Contracted Services-		
Advertising	2,840	
Printing and Binding	50,000	
Computer Expense	5,867	
Tax Bill Preparation	2,986	
Materials and Supplies-		
Office Supplies	15,086	
Other Charges-		
Conventions and Travel	7,625	
Dues	1,355	
Postage	133	
Telephone	2,116	
Rebates and Refunds	77,237	
Copier Lease Expense	4,694	
Fiscal Court Allocation-Preservation Project	56,435	
Software Expense	4,141	
Capital Outlay-		
Equipment Expense	 19,800	 639,174
Total Expenditures		5,997,845

BOURBON COUNTY

RICHARD STIPP EADS, COUNTY CLERK

STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS For The Year Ended December 31,2011

(Continued)

Expenditures (Continued)

Less: Disallowed Expenditures		
Payroll Disbursement For Sick Days	\$ 17,602	
Total Allowable Expenditures		\$ 5,980,243
Net Revenues		150,466
Less: Statutory Maximum		77,243
Excess Fees		73,223
Less: Expense Allowance	3,600	
Training Incentive Benefit	3,679	 7,279
Excess Fees Due County for 2011		65,944
Payment to Fiscal Court - January 12, 2012		 48,276
Balance Due Fiscal Court at Completion of Audit		\$ 17,668

BOURBON COUNTY NOTES TO FINANCIAL STATEMENT

December 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2011

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOURBON COUNTY NOTES TO FINANCIAL STATEMENT December 31, 2011 (Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

T 7 C C .		% Paid by Member through
Years of Service	% paid by Insurance Fund	Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

BOURBON COUNTY NOTES TO FINANCIAL STATEMENT December 31, 2011 (Continued)

Note 3. Deposits

The Bourbon County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Bourbon County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Records Preservation – Certificate of Deposit

On December 27, 2007, Bourbon County Fiscal Court voted to allow the County Clerk to use \$50,000 from the 2007 budget for record preservation, book scanning, and microfilming or book preservation. These funds were placed into an automatic renewable certificate of deposit on December 28, 2007. The certificate earns interest at a rate of 2.23% to be distributed on a quarterly basis. The balance on January 1, 2011 was \$55,440. During calendar year 2011, the Clerk earned \$995 in interest proceeds. Funds in the amount of \$56,435 were expended during calendar year 2011, with a balance of \$0 at December 31, 2011.

Note 5. Grant - Kentucky Department for Libraries and Archives Back File Conversion Grant

On November 30, 2010, the County Clerk was awarded a local records grant project for the Kentucky Department of Libraries and Archives in the amount of \$48,352 to purchase back file conversion for the County Clerk's office. The certificate earned interest of \$636 during calendar years 2010 and 2011. No funds were expended. The balance as of December 31, 2011 was \$48,988.

Note 6. Lease Agreement – Copier

The office of the County Clerk was committed to a lease agreement with Oce Financial Services, Inc. for a copy machine. The agreement requires a monthly payment of \$267 for 48 months to be completed in August 2012. During calendar year 2011, the Clerk made 12 payments to Oce each for \$267 for a total of \$3,204. The total balance of the agreement was \$1,869 as of December 31, 2011.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie Foley, Bourbon County Judge/Executive The Honorable Richard Stipp Eads, Bourbon County Clerk Members of the Bourbon County Fiscal Court

> Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Bourbon County Clerk for the year ended December 31, 2011, and have issued our report thereon dated July 10, 2012. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u> issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Bourbon County Clerk's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2011-04 to be a material weakness.



WWW.AUDITOR.KY.GOV

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards (Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bourbon County Clerk's financial statement for the year ended December 31, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2011-01, 2011-02, and 2011-03.

The Bourbon County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Bourbon County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Adam H. Edelen

Auditor of Public Accounts

July 10, 2012



BOURBON COUNTY RICHARD STIPP EADS, COUNTY CLERK COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2011

STATE LAWS AND REGULATIONS:

2011-01 The County Clerk Should Settle His 2011 Fee Account

The County Clerk should settle his 2011 fee account by paying \$17,668 to the Fiscal Court. This \$17,668 is made up of a \$66 remaining balance in the 2011 fee account, and \$17,602 due to the fee account from the Clerk's personal funds to reimburse the fee account for disallowed expenditures. We recommend the County Clerk deposit personal funds in the amount of \$17,602 to the fee account, and pay all remaining liabilities of the 2011 fee account.

County Clerk's Response: We will settle the account.

2011-02 The County Clerk Had \$17,602 Of Disallowed Expenditures In His 2011 Fee Account

The County Clerk paid a former employee \$16,351 for 92.5 unused sick days, plus a FICA matching amount for this pay in the amount of \$1,251 upon the end of the employee's service. The County Clerk has adopted the county's policies and procedures with a few exceptions. The County Clerk's policy allows for 24 sick days to be carried forward whereas the county's policy does not and neither policy allows for unused sick days to be paid to an employee upon termination or retirement.

This employee was allowed to carry forward 44.5 sick days (instead of 24 sick days) accumulated prior to her retirement to her re-employment with the office in 2004. In addition, the employee was allowed to add to this and carried forward 90 sick days into the last year of her employment. This amount of unused sick leave carried forward and ultimately paid was in excess of the 24 days allowed per office policy. Also, the payment for the unused sick leave was not addressed in the county's policy either.

We recommend the County Clerk follow the policies and procedures in all areas. Furthermore, we recommend the County Clerk reimburse the fee account from personal funds the \$17,602 for this disallowed payment.

County Clerk's Response: We will settle the account and update the policy and procedures manual. This employee was a long time dedicated employee who had earned the time and had carried it forward because she was sick and knew she would probably need it. This is not an exorbitant amount of time if you are sick and have to be off work. I felt it was reasonable and I paid the sick days to her.

BOURBON COUNTY RICHARD STIPP EADS, COUNTY CLERK COMMENTS AND RECOMMENDATIONS For The Year Ended December 31, 2011 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2011-03 The County Clerk Should Pay Overtime At A Rate Of Time And One Half

The County Clerk did not compensate employees for hours worked in excess of 40 hours per week. Some employees were awarded compensatory time for working over 40 hours in a week. However, the amount of compensatory time given was determined by the County Clerk to be in half day or whole day increments at the discretion of the County Clerk and the determinations were not consistently applied to all workers. The employees were not given compensatory time based on how many hours over 40 they worked in the week.

KRS 337.285 (1) states, "No employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employee". The Fair Labor Standards Act (FLSA) also requires that all covered, nonexempt employees be paid overtime pay at a rate of not less than one and one-half times an employee's regular rate of pay after 40 hours of work in a workweek. Exempt employees are those occupying positions which are of a "professional," "executive," "supervisory," OR "administrative" nature. Exempt positions are not required to be paid overtime in dollars and may receive compensatory time off or "C-time" for their labor. KRS 337.285 (4) states that upon the written request by a county employee, made freely and without coercion, pressure, or suggestion by the employer, a nonexempt county employee may be granted compensatory time in lieu of overtime pay, at the rate of not less than one and one-half (1-1/2) hours for each hour the employee is authorized to work in excess of forty (40) hours in a work week. However, the Clerk's Policies and Procedures Manual, "if a nonexempt employee goes on to work that forty-first hour, he/she must be paid overtime dollars."

We recommend the County Clerk start compensating employees for working in excess of 40 hours per week in accordance with the statutes outlined in this comment. If compensatory time is to be given instead, an agreement must be in place between the employee and the County Clerk to receive compensatory time in lieu of overtime pay, and the correct amount of compensatory time should be added to the employee's leave balance also as outlined in this comment.

County Clerk's Response: All employees will be compensated correctly. Each employee will be given an agreement to sign if they want to accept compensatory time.

BOURBON COUNTY RICHARD STIPP EADS, COUNTY CLERK COMMENTS AND RECOMMENDATIONS For The Year Ended December 31, 2011 (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS:

2011-04 The County Clerk Should Strengthen Controls Over Account Receivables

The County Clerk has inaccurate record keeping and poor controls over account receivables. One employee is responsible for recording account receivables as well as reconciling the amounts charged daily to the transactions posted to the state's Point of Sale (POS) system. This employee performs these functions with no oversight or independent checks and has the ability to delete or alter account receivables from the system. The records of individual customer account receivables, per the Clerk's records, did not agree to the POS reports and daily work, and the accumulated amount still due but uncollected for multiple years equals \$21,283.

While the POS system allows for and records account receivables by allowing the County Clerk to set up customer accounts, process charges and payments on accounts, and reconcile total daily business to the daily deposit, oversight and independent checks should be performed. Failure to strengthen controls could result in account receivables not being paid in full and payments for prior year charges being netted against current year account receivables.

We recommend the County Clerk strengthen controls over charges, ensure account receivables are properly reported, and require all account receivables to be paid in full before car dealerships are allowed to pick up their processed work and by the end of each calendar year. An independent check should be performed over account receivables each day and any deleted transactions should have prior approval and be properly documented. We further recommend the County Clerk contact the Kentucky Transportation Cabinet for training on the Point of Sale account receivable function to ensure proper use and for assistance in reconciling the POS report. Any uncollected amounts should be turned over to the County Attorney's office for collection.

County Clerk's Response: The amount is quite large right now because we had a big company to change ownership and we transferred a lot of vehicles and had to wait after the work was done to give them a total to send to the corporate office to get a check. That has already been collected and the total of the POS report is less than eighteen hundred dollars as of today. We had already started monitoring the POS report prior to the audit and we contacted the Department of Transportation in previous years to clear the POS report of inaccurate postings. These items keep reappearing in the POS report. When we get our new system next year, the problems with POS should disappear. The daily work entries will be checked by a separate individual.